

5-6-10, FACT CHECK: Chairman Barney Frank Calls for White House to Defend Fannie and Freddie

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Politico reports that in a memo addressed to White House Chief of Staff Rahm Emanuel, HUD Secretary Shaun Donovan, Treasury Secretary Timothy Geithner, and Senate Banking Committee Chairman Chris Dodd, Chairman Barney Frank urged Democrats to fight back on Fannie and Freddie, arguing that housing reform does not need to be included in financial regulatory bill and defending the operations of the Government Sponsored Enterprises (GSEs).

Chairman Frank Claim #1: "This is an important point that has to be repeated - as Fannie and Freddie operate today, going forward, there is no loss....The losses are the losses that occurred before we took the first step towards reforming them - we the Democrats - and nothing we could do today will diminish those losses."

FACT: On May 5, Freddie Mac reported \$ 6.7 billion in losses and requested \$10.6 billion in taxpayer dollars. The GSE bailout has already cost taxpayers \$138 billion -- an amount which dwarfs the government's losses on other rescues of failed financial firms -- and taxpayers are on the hook for hundreds of billions more. The taxpayers also are guaranteeing more than \$1.7 trillion of their debt and more than \$5 trillion in mortgages.

Chairman Frank Claim #2: "Frank made the case that Freddie and Fannie are being managed responsibly, and aren't doing further economic damage to themselves now that they've been taken over by the government."

FACT: If by "managed responsibly" he means recklessly blowing through taxpayer dollars to pay exorbitant salaries to their executives and to support misguided (and failed) Administration housing initiatives, then that claim could be true. Remember, the Obama Administration approved \$6 million compensation packages for the CEOs of Fannie Mae and Freddie Mac. This is 15 times more than the President is paid, and 30 times more than a Cabinet Secretary receives. These excessive compensation packages were handed out in spite of the fact that the government had taken control of the companies (Chairman Frank's concept of "reform") and U.S. taxpayers now own at least 80 percent of Fannie Mae and Freddie Mac. All of this was payable in cash.

Moreover, by using Fannie and Freddie as the primary delivery channel for the Administration's failed foreclosure mitigation efforts, Democrats are compounding the GSEs' losses and giving Wall Street yet another backdoor bailout. Taxpayers cannot afford to continue to finance the operations of these two entities.

Chairman Frank Claim #3: "So the argument that we have ignored the need to change the operation of Fannie and Freddie in our rush to do financial reform is of course exactly backwards. We did Fannie and Freddie first."

FACT: The legislation referenced by Chairman Frank was the 2008 law that authorized the GSEs' taxpayer bailout - authorities that he assured us at the time would never have to be invoked, only to be proven wrong less than six weeks after the law's enactment. It's been nearly two years since the government took control of the housing giants, and despite repeated Administration claims that housing finance would be included in any reform package, Democrat leaders have outright refused to include policies addressing the mortgage meltdown in their legislative proposals. The Obama Administration continues to punt on addressing the fundamental problems at the GSEs, recently stating in congressional testimony that it will be 2011 before a comprehensive plan for the GSEs is developed. For a timeline of Democrats' inaction on Fannie and Freddie, [click here](#).

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